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## Remittances From Mexican Expatriates Down Sharply in First Half of 2007

by LADB Staff

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A slowdown in the US construction industry, a federal crackdown on undocumented immigrants, and other factors have come together to slow the growth in the remittances sent by Mexican expatriates in the US to relatives in Mexico. The Banco de Mexico (central bank), which issues regular updates on remittances, said expatriates sent back about US\$11.4 billion to Mexico during January-June of this year.

While this total is about the same as the amount sent back in January-June 2006, the figure bucks the trend prevalent throughout the past decade, when remittances increased by about 10% annually. The Banco de Mexico's statistics are compatible with a survey sponsored by the Inter-American Development Bank (IDB) and conducted by the Florida-based private polling company Bendixen and Associates.

The IDB-Bendixen figures for January-June were presented in comparison with all of last year, while those for the Banco de Mexico were relative to the first six months of 2006. The IDB-Bendixen poll showed that more Mexican immigrants were holding on to their money because of uncertainty about whether changes in US immigration policy would cause them to be deported back to Mexico. "They have decided because of the uncertainty of the future that they need to step back and save a bit," said Donald F. Terry, general manager of the IDB's Multilateral Investment Fund.

In the results of the survey, based on interviews with 900 immigrants from Mexico and Central America, the percentage of Mexicans sending money home declined to about 64% in January-June, compared with 71% for all of last year. In raw figures, said the IDB, the reduction in remittances would leave about 2 million people in Mexico without the same financial assistance they had previously received.

### *Remittances down in states where Mexican immigrants arrived recently*

One major trend was evident in the data. The greatest drop in remittances came among Mexicans residing in states like Georgia, North Carolina, Louisiana, and Pennsylvania, which only recently have seen the emergence of large communities of Mexican immigrants. The percentage of Mexicans sending money home regularly in the states with new Mexican-immigrant communities declined to about 56% in the first six months of this year, compared with 80% for all of 2006.

Conversely, the states that have long been the home of Mexican immigrants, including California, Texas, Florida, New Mexico, Arizona, Illinois, New Jersey, and New York, saw a much smaller decline in remittances, amounting to 2% in January-June, or 66% versus 68% for all of last year, said the IDB. A related trend, said pollster Sergio Bendixen, was a large increase in the percentage of Mexicans considering a return to their country.

In the survey, only 49% of the Mexicans living in states with relatively recent immigration said they expected to be living in the US five years from now. Bendixen said this was highest percentage of Mexicans anticipating a return home in the more than two decades he has interviewed Latino immigrants. Terry said, however, that there is no evidence that the estimated 10.4 million undocumented Mexicans residing in the US have started to return to Mexico in large numbers.

### *Slowdown in construction industry partly to blame*

Both the IDB-Bendixen poll and the Banco de Mexico report said a slowdown in the US construction industry could have some bearing on the reduction in remittances, as many immigrants are employed at construction sites.

The IDB-Bendixen survey indicated that 80% of immigrants who responded to the survey were having a hard time finding employment. Of these immigrants, roughly one-fourth had been employed in the construction industry or worked as day laborers. In addition to the slowdown in construction, many employers have started to require legal documents in anticipation that a tougher immigration law could be enacted in the near future.

Several versions of US immigration reform have proposed tough sanctions against employers who hire undocumented workers (see SourceMex, 2007-05-23). Roughly half of the respondents to the IDB-Bendixen survey said they were undocumented immigrants. The Banco de Mexico also mentions the US construction industry in its report. "

Among the theories that are mentioned in the central bank's report is the reduction in the flow of Mexican migrants to the US and a slowdown in construction and its effect on employment levels," said the Mexico City daily newspaper Reforma.

Still, the central bank report noted that remittances would continue to play an important role in the Mexican economy despite the slowdown. The Banco de Mexico projected remittances for the year would grow by 6% in 2007 from the more than US\$23 billion projected in 2006 (see SourceMex, 2007-01-27). The Centro de Investigacion y Docencia Economica (CIDE) has projected remittances for 2007 to reach US\$25 billion, even though the amount sent thus far was not at a pace that would reach that total.

The central bank also presented an optimistic forecast for next year, projecting remittances to grow by 7.5% in 2008 to reach US\$26.3 billion. The IDB-Bendixen and Banco de Mexico reports say the slowdown in remittances at first glance appears to be affecting the Mexican community in the US more than expatriates from countries in Central America.

The remittances sent back home by expatriates from El Salvador, Guatemala, and Honduras increased by 11% in January-June relative to the same six-month period in 2006, said the Banco de Mexico. This may be explained partly by the fact that most Central American immigrants reside in states like California and Texas, from where remittances have continued to flow at a steady pace the past year.

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